



## TOWN OF UPTON, MASSACHUSETTS

---

### DEPARTMENT OF PUBLIC WORKS

February 23, 2016

**Memo To:** Blythe C. Robinson, Town Manager  
**From:** Vincent J. Roy, Director of Public Works  
**Re:** FY 2017 Water and Wastewater Rate Proposal

The purpose of this memorandum is to review the current water and sewer (W/S) rates charged for Town water and wastewater services and to recommend new rates allowing the Water Enterprise Fund and Wastewater Enterprise Fund user receipts to accommodate anticipated wages, expenses and capital outlays in FY 2017.

The Town's FY 2013 water rates were based on a water rate study conducted by Russell Consulting of Newburyport, MA in the spring of 2012. Water and sewer rates were subsequently developed by in-house staff for each of the following years since the 2012 W/S Rate survey. In FY 16 the user fee rates were increased for both W/S funds by 4.6% and 9.24% respectively. In addition to the rates, there were also increases in the water and wastewater surcharge levels which accommodate the enterprise funds' debt service payments and W/S capital outlay. Though the debt service for both funds remained fairly unchanged from the previous fiscal year, the FY16 increase in water and wastewater surcharge came from the increase for capital outlay of \$100,250 in water, and \$30,250 in wastewater.

Before determining the FY17 W/S rates, a careful effort was made to reduce costs in both enterprise budgets where possible so to avoid a significant rate increase. The proposed FY17 water enterprise budget has been reduced by 2.59% from FY16, while the sewer enterprise budget has been increased by 4.47% from FY16. Because of the percentage change between the two funds, different strategies were used for the proposed FY17 rates (*see attached FY17 W/S Rate Forecast table*). The conservative strategy used for the water rates avoids impacting the average user while increasing revenues to accommodate FY17 expenditures. Unfortunately, because of the increase in the sewer budget and the desire to reduce the additional tax levy contribution, a more progressive strategy was used for these rates.

The water rates changes for FY 2017 represent an inclining increase. I am proposing no change in the customer service charge and step 1. I am proposing a 1% increase in step 2, 2.5% increase in step 3 and 3% increase in step 4 as well as all water usage for irrigation meters. (See table on the following page):

## FY 2017 Water and Wastewater Rate Proposal

February 23, 2016

Page: 2

The following table illustrates the proposed Water rates for FY 2017:

Gallons Used Quarterly	Water Rates Inclining % Increase
Customer Service Charge (CSC) N/C	\$17.73
0 - 3,000 gallons N/C	\$3.44
3,001 - 7,500 gallons 1% increase	\$4.66
7,501 - 20,000 gallons 2.5% increase	\$6.14
> 20,000 gallons 3% increase	\$8.70
Second Meter Charge	\$8.70

The following table illustrates the proposed Sewer rates for FY 2017 with a flat 2.0% increase:

Gallons Used Quarterly	Sewer Rates 2%
Customer Service Charge (CSC)	\$73.00
0 - 3,000 gallons	\$8.49
3,001 - 7,500 gallons	\$8.49
7,501 - 20,000 gallons	\$8.49
> 20,000 gallons 3% increase	\$8.49
Second Meter Charge	N/A

Main reasons for W/S rate increase.

- A cost of living adjustment for wages has been factored in at 2%, although union contracts have not been settled at this time.
- 12.8% increase in health insurance costs
- 63% increase in pension contribution costs so that the enterprise funds fully cover this expense.
- Maintaining a 25% operating balance within the Retained Earnings to help provide rate stability and funding future capital projects such as the water main replacement project on Hartford Ave North and sewer rehabilitation projects.
- A 90% Collection Rate was factored in this year's revenue forecast based on prior year collection rates.

## FY 2017 Water and Wastewater Rate Proposal

February 23, 2016

Page: 3

Separate from the consumption rates, changes in the water and wastewater surcharge levels are also proposed. These surcharges accommodate the two Enterprise Funds' General Obligation Bond debt service principal and interest payments and are not used for utilities operations or maintenance. They also include any capital items proposed for next year. While the debt for both funds is fairly unchanged, we have proposed capital expenditures of \$65,000 in water, and \$40,000 in wastewater. The resulting change decreases the water surcharge by 35.16%, and increases the sewer surcharge by 32.23%. Water capital outlay includes \$25,000 for improving water system security, \$20,000 for fire flow improvements to North Street Pump station and \$25,000 for a water main replacement for Glen Ave Well facility. The sewer capital outlay is for \$15,000 used for the infiltration and inflow removal program, and \$25,000 for increasing security for the Wastewater Treatment Facility.

The rate simulation summary table below shows the effect of these rate changes on the average user. . An average water-only user will see a quarterly billing change from \$134.51 under the current rates to \$136.68 under the new proposed rates; this represents a 1.6% increase or \$2.17. An average water/wastewater user will see a quarterly billing change from \$393.28 under the current rates to \$400.71 under the new proposed rates; this represents a 1.8% increase or \$7.43. The net changes to average customer W/S bills are slightly higher due to increases in operating expenses as well as capital surcharge requirements. A spreadsheet showing the various rate options we considered is attached to this memo.

<b><u>Average Cost Table</u></b>								
	Avg Usage	Step 1 (0-3,000 gal)	Step 2 (3,001-7,500 gal)	Step 3 (7,501-20,000 gal)	Step 2 (> 20,000 gal)	CSC	Avg Qtrly Cost	Avg Annual Cost
Water	22,500	3,000	7,500	12,000	0	\$17.73	\$134.51	\$538.02
Sewer	22,500	3,000	7,500	12,000	0	\$71.57	\$258.77	\$1,035.08
Combined							\$393.28	\$1,573.10

In conclusion, I am recommending that the proposed rates be adopted. In my opinion, these rates are necessary to provide the revenue needed to properly operate the DPW Water & Wastewater Division in FY 2017.

If you have any questions or need clarification on any item, please contact me.

